

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 1, 2010
POSITION: Neutral, note concerns

BILL NUMBER: AB 2297
AUTHOR: J. Brownley
RELATED BILLS: AB 947 (Chapter 377, Statutes of 2009)

BILL SUMMARY: Community Colleges Nonresident Fee Calculation

This bill would add new methodologies for community college districts (CCD) to calculate nonresident tuition fees. Specifically, the bill would allow CCD to establish nonresident fees at the greater of the current year amount, or any of the amounts of the preceding four years, if the amount calculated for the succeeding year is less than the current year or the preceding four years. The bill would also allow CCD to establish nonresident fees at an amount no greater than the average of the nonresident tuition fees of community colleges of at least 12 states that are comparable to California's cost-of-living. Furthermore, the bill would clarify that increased revenue that results from these new methodologies is to be used for expanding and enhancing services for resident students and that the admission of nonresident students cannot be made at the expense of resident enrollment. Finally, the bill would require the California Community College Chancellor's Office (CCCCO) to provide the Legislative Analyst's Office (LAO) with specified student headcount, full-time equivalent student (FTES), and funding data.

FISCAL SUMMARY

This bill could minimize the loss of nonresident fee revenue by allowing CCD to maintain current nonresident fee levels. The bill could also increase nonresident fee revenue by an unknown amount depending on how many districts utilize the new nonresident fee calculation based on 12 comparable states. Current data on other state's nonresident fees indicates that this provision may allow nonresident fees in CCD to increase by several thousand dollars per year.

This bill would result in minor and absorbable costs for the California Community College Chancellor's Office (CCCCO) to administer the new options for determining nonresident tuition fees and to provide the required data to the LAO.

SUMMARY OF CHANGES

Amendments to this bill since our analyses of the April 8, 2010 version do not alter our position. The amendments would require the CCCCCO to provide the LAO with specified student headcount, FTES, and funding data. Furthermore, amendments would clarify that increased revenue resulting from the new methodologies are to be used for expanding and enhancing services for resident students and that the admission of nonresident students cannot be made at the expense of resident enrollment.

COMMENTS

The Department of Finance is neutral on this bill because it would help preserve nonresident fee revenues when budget cuts would otherwise lower the nonresident fee through existing calculations. However, we note the following concerns:

Analyst/Principal (0342) E. Hanson	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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J. Brownley

July 1, 2010

AB 2297

- By authorizing the new option for determining nonresident tuition fees based on 12 states with comparable cost-of-living, it could encourage significant nonresident fee increases that substantially exceed the full cost of education delivery, which may deter nonresidents from seeking education in California. Also, the Governor has not been supportive of significant fee increases for the Community Colleges.
- The CCCCCO has expressed some minor concerns that it may be difficult to provide headcount data as required since it does not collect the data in a manner consistent with the bill's requirements.

Existing law requires CCD to annually establish nonresident tuition fees sufficient to cover the cost of instruction; furthermore, any changes to nonresident tuition fees should be gradual, moderate, and predictable. Current law authorizes four methodologies for CCD to determine full-time nonresident fees:

- The amount expended by the district for the expense of education in the preceding fiscal year, adjusted by the Consumer Price Index (CPI), divided by the number of FTES attending the CCD in the preceding fiscal year.
- The statewide expense of education for all CCD, adjusted by the CPI, and divided by the statewide FTES.
- An amount that does not exceed the nonresident fee established by a contiguous CCD.
- An amount that does not exceed the amount expended by the CCD for the expense of education; however, the amount cannot be less than the statewide average per the second option noted above.

Current law also requires CCDs to establish nonresident fees by February 1 of each year for the succeeding fiscal year. The CCDs are also required to notify nonresident students of nonresident tuition fee changes during the spring term before the effected fall term.

For 2008-09, CCD collected approximately \$167 million in nonresident tuition fees. Furthermore, nonresident fees ranged from \$226 to \$166 per semester unit for 2009-10; however, the average statewide cost of \$190 per semester unit is the most commonly adopted rate among the 72 CCD in 2009-10.

According to the author's office, this bill would allow CCD more flexibility to charge nonresidents a fee that would sustain or supplement current funding levels needed to maintain the current level of quality education.

This bill would authorize that if the nonresident fee based on the statewide expense of education for all CCD in a succeeding fiscal year is less than the amount determined for the current year or the preceding four fiscal years, the CCD may establish the nonresident fee at the greater of the current year amount or the amount of any of the preceding four years. The bill would also allow CCD to establish nonresident fees at an amount no greater than the average of the nonresident tuition fees of community colleges of no less than 12 states that are comparable to California in cost-of-living. Furthermore, the bill would clarify that increased revenue that results from these new methodologies is to be used on expanding and enhancing services for resident students and that the admission of nonresident students cannot be made at the expense of resident enrollment.

The bill would also require CCCCCO to provide the LAO with: 1) resident and nonresident student headcount data, 2) resident and nonresident FTES data, 3) nonresident tuition rates and revenue, and 4) the amount of apportionment funding received by each district. The LAO would be required, as part of its annual assessment of the Governor's Budget, to provide the Legislature with a summary of the data received from the CCCCCO and an analysis of CCD compliance with the requirement that the additional revenue be used for expanding and enhancing services for resident students.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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AB 2297

The additional calculation methodologies could minimize the effect of funding constraints that result in lower nonresident fees; specifically, when state funding declines (the expense of education) and the number of FTES remains constant or increases, the current calculations would result in lower nonresident tuition fees.

Chapter 377, Statutes of 2009 (AB 947) authorized CCD to charge a facilities fee to any nonresident student, in addition to the nonresident tuition fee. Previously, a facilities fee could only be charged to students who are both citizens and residents of a foreign country. The fee charged cannot exceed the amount that was expended by the district for capital purposes in the preceding fiscal year divided by the total FTES of the district in the preceding fiscal year. The facilities fees may only be used to fund capital outlay, maintenance, and equipment.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
6870/Comm College	SO	No	-----	See Fiscal Summary				-----	0001